



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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B- 163762

FEB 27 1980

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Dear

TNT00700

dtd November 13, 1979

Enclosed is a copy of a letter report we prepared at the request of Senator Lloyd Bentsen, Chairman of the Joint Economic Committee. We are providing you with a copy because of your expressed interest in productivity issues. In the report, we provided the framework for legislation to establish a national productivity council.

AGC00508

As you are no doubt aware, 1979 saw U.S. productivity decline 0.9 percent. This is the second time since the World War II that we have had an annual decline in productivity. The Council of Economic Advisers has projected that productivity will continue to decline in 1980. This trend cannot be tolerated.

As we state in our report, we believe a strong focal point for productivity improvement is needed in the Federal Government to stimulate productivity growth in the private sector. We do not need a large organization with program responsibility, but rather one that will

- identify Federal Government targets of opportunity to improve private sector productivity,
- work to have adequate funds allocated to match these targets of opportunity,
- ensure the coordination of all Federal efforts to improve productivity, and
- represent the perspective of productivity improvement at the top policymaking level.

*PTT Productivity*

*Economic research  
Economic analysis  
Economic indicators*

*Economic policies 508794*

*Letter check addresses use as many as possible*

The direct Federal efforts to improve productivity should remain within existing agencies. The productivity focal point should, however, provide the needed leadership and direction to Federal departments and agencies.

We believe our proposal would provide the United States with a needed national mechanism to improve private sector productivity.

It is our understanding that Senator Bentsen plans to develop our framework into legislation and introduce it shortly.

Sincerely yours,

Wm. J. Miller B. 1961

Comptroller General  
of the United States

Enclosure



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

IN REPLY  
REFER TO:

B-163762

November 13, 1979

The Honorable Lloyd Bentsen  
Chairman, Joint Economic Committee  
Congress of the United States

Dear Mr. Chairman:

This is in response to your letter of April 4, 1979, in which you requested that we develop draft legislation to create a national focal point to stimulate productivity growth in the public and private sectors. The framework for proposed legislation enclosed with this letter represents how we believe a national productivity council should be structured and organized.

We are very pleased to work with you and the Joint Economic Committee in the area of national productivity improvement. We at the General Accounting Office (GAO) share your concern about our Nation's declining productivity and our Government's inadequate response to this serious problem.

In recent months we have noted widespread awareness of our productivity problem. This awareness did not always exist. It was not long ago that our greatest challenge was convincing the executive branch and the Congress that the decline in productivity improvement is a significant economic problem. Now we find productivity highlighted in the reports of the Joint Economic Committee, which you chair, the annual report of the Council of Economic Advisers, and in numerous magazine and newspaper articles. Top administration officials, including the President, and numerous members of Congress have spoken out on the problem. There is no doubt we have reached a new plateau. However, we still have further to go. We must move from rhetoric to action in improving national productivity.

We believe a strong focal point for productivity improvement is needed in the Federal Government to make this transition. We do not need a large organization with program responsibility, but rather one that will

- identify Federal Government targets of opportunity to improve private sector productivity,
- work to have adequate funds allocated to match these targets of opportunity,
- ensure the coordination of all Federal efforts to improve productivity, and
- represent the perspective of productivity improvement at the top policymaking level.

The direct Federal efforts to improve national productivity should remain within existing agencies. The productivity focal point should, however, provide the needed leadership and direction to Federal departments and agencies.

#### Need For An Effective Productivity Effort

The current National Productivity Council was established on October 23, 1978 by Executive Order 12089. It is chaired by the Director of the Office of Management and Budget. The Council has met three times since its establishment and is considering what actions should be taken by the Government in the areas of labor-management committees, productivity statistics, and State and local government productivity. While this represents a positive step, the Council has only two staff members and has not shown itself to be a policymaking group.

Productivity is a vitally important national issue that requires a Federal commitment stronger than the current Council can provide.

The key leverage point for the Federal Government to improve private sector productivity is through policy initiatives in such areas as tax and regulatory policy. While there are numerous factors to consider in deciding these policies, there must be a strong advocate in the decision making process to represent concerns for productivity. This does not now exist.

There is also a need for a top level group that can provide oversight, direction, control, and coordination to departmental efforts. Numerous Federal programs to improve private sector productivity have been developed but in order to translate these into meaningful productivity improvements,

Legislation for a Private Sector  
Productivity Council

The basic framework of our proposal calls for the establishment of a National Productivity Council to help improve private sector productivity. The Council would consist of the 10 department and agency heads in organizations relating to national productivity and such additional members as the President may designate. We do not believe the public and private sector efforts should be in the same organization. This is the same conclusion we made in our 1978 review of the National Center for Productivity and Quality of Working Life. In our report, "The Federal Role In Improving Productivity--Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?" (FGMSD-78-26, May 23, 1978), we stated that

"Since the needs and incentive structures of public and private sector organizations are so different, public productivity efforts should be separate from those of the private sector. In our opinion, public sector productivity can best be handled by existing agencies, with the State and local productivity improvement effort administered through the Federal grants program and the internal Federal Government effort lodged in an agency that has central management responsibilities."

As we recommended, the Office of Personnel Management (OPM) has created a division for the specific purpose of improving Federal Government productivity. OPM has also been authorized to represent the Federal Government in attempts to improve State and local government productivity. Therefore, we feel the necessary organizational structures have been established for State and local government productivity improvement. A need remains, however, for an effective mechanism to help improve private sector productivity.

We consider our proposed Council to be a needed and logical extension of the current Productivity Council's authority and responsibility.

We believe a National Productivity Act, along the lines of our proposed framework, will be a significant improvement over the current Council for the following reasons.

--The proposed Productivity Council would provide the added authority and responsibility of having a...

body rather than an organization established by executive order. The present Council is simply a committee of Federal officials with no statutory authority or funding. The recommended Council would be established permanently by statute and would be authorized sufficient resources to ensure its viability.

- The proposed Council would provide a high-level, full-time Chairperson who should provide a meaningful focus on national productivity.
- The Council and the Departments of Commerce and Labor and the Federal Mediation and Conciliation Service would be assigned specific functions and responsibilities for improving productivity.
- The Council would be required to develop a national productivity plan to outline what the Federal Government is doing and should be doing to improve productivity.
- The Productivity Council would be provided adequate staff and a full-time Chairperson to help it meet its legislative mandate.
- A National Productivity Advisory Board would be developed, composed of not more than 10 members representing business, labor, and academia to advise the Council on appropriate actions for the Federal Government to take to improve productivity. If properly used, this Board could contribute to improved cooperation between the public and private sectors in attempts to improve productivity.

We consider the development of a National Productivity Plan to be the most important aspect of our proposed framework. While there are numerous Federal efforts to improve productivity, they fall far short of an effective national productivity improvement effort. They are, for the most part, relatively small programs that are not part of a broader strategy. A National Productivity Plan, backed up by a strong Council, is needed to harness and direct these activities and ultimately help improve national productivity.

#### Organizational Structure Of The National Productivity Council

In developing our proposal, we considered three organizational structures for the National Productivity Council. The first is a council consisting of the following members:

Management and Budget (OMB). The Director of OMB is close to the budget and at the heart of executive decision making. The Director would also be a high-level and well respected individual to chair the Council. The OMB Director, however, has many other important responsibilities that would surely take precedence over his Council responsibilities. Furthermore, private sector officials in both labor and management are not used to working with the OMB Director.

A second alternative is to have the chairperson of the Productivity Council rotate between the Secretaries of Commerce and Labor every two years. Both Secretaries are top-level officials and are responsible for productivity related programs. In addition, both Secretaries have extensive experience working with the private sector.

The drawbacks to this alternative are the lack of long-term leadership by a single chairperson and the many demands the Secretaries have on their time leaving them unable to make chairing the Council a full-time commitment.

A third alternative is to have an appointed, full-time chairperson. The head of the Council would be involved in directing its daily operations and would also represent the Council in high level policy forums. The chairperson would be an important spokesperson and advocate for productivity improvement within the Federal Government. The danger exists, however, that because the chairperson is not associated with an ongoing agency, the Council could, if not properly supported, be left out of the mainstream of policy.

We have recommended the third alternative, an appointed, full-time chairperson who would also be responsible for the day-to-day operations of the Council.

We want to emphasize here, as we did in our 1978 report on the National Center for Productivity, the success of a national productivity effort is not dependent on organizational structure but on the support the effort receives from the Congress and the President. By "support" we mean

--appointment of a strong leader who has access to other key leaders of the administration and is included in policy making discussions.

--recognition by the President and Congress of the importance of the Council to the broad national productivity efforts, and

--an appropriate budget to enable it to fulfill its mission.

Regardless of which organizational structure is adopted, we believe the Chairperson of the Productivity Council should be appointed by the President and confirmed by the Senate. We believe this is necessary to ensure the appointee is responsive to the Congress.

The proposed Council will require a small but highly capable staff to fulfill the requirements of the act. The professional staff of the Council should be the most capable that can be brought together. While we support the objective of avoiding an unnecessarily large staff, we believe that in its initial years the Council will be successful only to the extent that it has a staff of exceptional competence, diversity, and leadership. We would not place any precise limit on staff size, but we consider the level currently working on the productivity effort to be highly inadequate.

We have recommended that the Secretaries of Commerce and Labor serve as Vice-Chairpersons of the Council and, with the Chairperson, comprise an Executive Committee of the Council. This will provide the Chairperson the flexibility to meet with official representatives of the Council as the need arises without having to bring together the entire Council. The Executive Committee would convene at the call of the Chairperson.

#### Proposed Framework And Previous GAO Recommendations

This proposal is in line with the recommendations we made in our 1978 report on the National Center for Productivity and Quality of Working Life. We stated that

"A separate organization with proper support from the Administration and adequate funding would be the most desirable type of organization to deal with problems of private sector productivity."

When that report was issued proper support and adequate funding for a separate organization, such as a national center, seemed unlikely. Since then, with the increased awareness of the importance of productivity to our economy, the environment seems to have changed and the needed support and funding may now be forthcoming.

In order to help understand support for the proposed Council, we have included a table in our report on the National Center for Productivity and Quality of Working Life.

result in a more effective mechanism for improving national productivity with an approach that would be acceptable to the Congress and the President.

### Funding Level For The National Productivity Council

We have recommended first-year funding of the Productivity Council at \$3 million. While this is of necessity an estimate, we believe it is reasonable for the level of responsibility assigned to the Council.

### GAO Review

The proposal does not specifically call for GAO review of the Productivity Council's activities. This would not be necessary since GAO, by law, would automatically have the authority to review the Council and would make such a review at the request of Congress or when we believe a review is needed.

### Conclusions

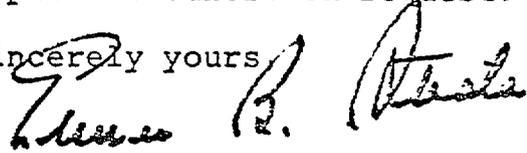
This proposal, if crafted into legislation, enacted and properly supported, would provide the United States with an effective national mechanism to improve private sector productivity. Almost every other industrial nation has an extensive national program to promote productivity. They have long recognized the critical role of productivity in meeting their national objectives. While our proposed Council is not as far reaching as most other national productivity organizations, we believe it is best suited to our economy and philosophy of Government.

It must be stressed that the Productivity Council, if it is to be effective, must be supported at the highest levels of the Federal Government, have adequate funding, and a staff of exceptional competence. To enact legislation without the support of the President will all but guarantee failure. This was the most important lesson learned from the experience of the former National Center for Productivity and Quality of Working Life.

As you requested, we did not obtain comments on the proposal from the executive branch. An earlier draft was favorably reviewed by the American Productivity Center and other groups concerned with productivity and quality of working life problems.

As agreed with your office, unless you publicly announce the contents of this letter earlier, we will not distribute it until 30 days from its date. Then we will issue it to interested parties and give copies to others on request.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Stewart". The signature is written in a cursive style with a large, prominent initial "J".

Comptroller General  
of the United States

Enclosure

ENCLOSURE

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BASIC FRAMEWORK OF THE PROPOSED LEGISLATION

1. Statement of Purpose and Findings

The purpose of the legislation would be to improve the productivity growth rate of the U.S. economy by (1) improving the effectiveness of the Federal policies, programs, and activities related to private sector productivity improvement and (2) eliminating unnecessary barriers and obstacles to productivity improvement created by the Federal Government.

The legislation would state that the Congress finds that the rate of productivity growth in the United States has been declining in recent years and is now less than that of all other major industrial nations; that much is now being done by the Federal Government that affects productivity, but these programs and activities are not coordinated and are, in some cases, contradictory; and that there is no comprehensive national productivity plan which addresses private sector productivity problems in a cohesive manner, and therefore, no clear delineation of how the Government's role can be brought to bear to improve private sector productivity.

On this basis the legislation would provide for:

(A) The development of a national productivity plan that will identify Federal policies required to enhance productivity growth, outline specific roles of the Government, and demonstrate how current Federal programs and policies can be harnessed and directed to improve private sector productivity.

(B) Delineation of functions of a National Productivity Council.

(C) Delineation of functions of a National Productivity Advisory Board.

(D) Delineation of functions of the Departments of Commerce and Labor, and the Federal Mediation and Conciliation Service, as they relate to improving national productivity at all levels.

## 2. Creation of the National Productivity Council

The legislation would provide for the creation of the National Productivity Council (the "Council") as an independent establishment of the executive branch of the Government.

## 3. Membership

The Council would be composed of the following members and such additional members as the President may designate:

(A) The Secretary of Commerce

- (B) The Secretary of Labor
- (C) The Director of the Office of Management and Budget
- (D) The Secretary of the Treasury
- (E) The Chairman of the Council of Economic Advisers
- (F) The Chairman of the Council on Wage and Price

Stability

- (G) The Special Representative for Trade Negotiations
- (H) The Director of the Office of Science and Technology

Policy

- (I) The Director of the Federal Mediation and Conciliation Service
- (J) The Administrator of the Small Business Administration

4. Duties of the Council

Subject to the direction of the President, and in addition to performing such other functions related to the legislation as he may direct, the Council would:

- (A) Develop, with consideration to recommendations of a Productivity Advisory Board, national and regional productivity centers, and others, a comprehensive national productivity plan which (1) identifies and describes the relationship and effect of existing Federal policies, programs, and activities on private sector productivity, (2) clearly delineates responsibilities of Federal departments and agencies having direct program functions within the plan, (3) identifies and lists unmet productivity objectives

created by the Federal Government, and (4) provides alternative policies, programs, activities, and lines of responsibility to improve private sector productivity. In addition, the plan should contain:

(1) An analysis of the Federal budget to document where Federal funds in support of private sector productivity improvement are being spent.

(2) An assessment of Federal efforts during the past year to improve productivity which should include an identification of gaps, duplicated efforts, successes, and failures.

(3) A priority listing of short- and long-term objectives, and specific projects and programs for the next year to attain these objectives.

(B) Serve as a catalyst and facilitator in bringing together representatives of business, labor, academia, and Government to identify Federal targets of opportunity for private sector productivity improvement, and to gain private sector support and participation in creating and implementing the national productivity plan.

(C) Conduct broad issue studies to refine and update the national productivity plan.

(D) Perform economic analysis of the short- and long-term impacts on productivity of selected Government regulations and laws.

(E) Provide continuing guidance to the departments and agencies on the implementation of the national productivity plan.

(F) Recommend to the President, the Congress, and appropriate departments and agencies legislation, regulations, policies, and specific actions to improve private sector productivity.

(G) Act as the primary Federal Government focal point for national productivity. As such the Council should:

(1) Receive and disseminate information relating to the Federal Government's involvement in improving private sector productivity.

(2) Act as the primary contact point between the Federal Government and national, regional, and local productivity centers by promoting their activities and providing a communication link between these productivity centers and Federal agencies, including appropriate consideration of their recommended policy initiatives.

(3) Provide assistance to national, regional, and local productivity centers in ways to apply Federal policies, regulations, programs, and actions to improve private sector productivity.

(4) Represent the Federal Government with foreign governments and international organizations in productivity enhancing activities in other countries.

(5) Maintain a continuing status of the policies, actions, and programs of the Federal Government which affect private sector productivity.

(H) Report to the President and the Congress annually on accomplishments and revisions to the national productivity plan.

(I) Delineate functions of other departments and agencies for improving private sector productivity as appropriate.

#### 5. Powers

In carrying out its specified duties the Council would be authorized

(A) to enter into contracts or other funding arrangements, including the grant of funds to private organizations and other public agencies, in order to carry out the provisions of the legislation.

(B) to organize and conduct, directly by contract or other funding arrangements with other public agencies or private organizations, conferences, meetings, seminars, workshops, or other forums for the purpose of (1) presenting and disseminating relevant information, and (2) continuously gaining firsthand views and perspectives of knowledgeable sources external to the Council and the Federal Government.

#### 6. Creation of the National Productivity Council Advisory Board

The legislation should provide for the creation of a National Productivity Advisory Board to be composed of per

more than 10 members representing business, labor, and academia to advise the Council on appropriate actions for the Federal Government to take to improve national productivity. These members would be appointed by the Chairperson of the Council under terms and conditions prescribed by the Council.

7. Chairperson, Executive Committee,  
and Staff of the Council

The legislation would provide that:

(A) The President shall appoint, by and with advice and consent of the Senate, a full-time Chairperson of the Council who shall be compensated at a rate not to exceed that provided for Executive Level III under section 5314 of title 5 of the United States Code.

(B) The Chairperson shall have authority to employ and fix the compensation of a staff as may be necessary to carry out the provisions of the legislation in accordance with the provisions of title 5, United States Code, governing the appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

(C) The Chairperson may procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, at rates not to exceed the daily equivalent of the rate provided for GS-13 under section 5313 of title 5, United States Code.

(D) Upon request of the Chairperson, the head of any Federal agency is authorized to detail any of its personnel to the Council on a reimbursable basis to assist it in carrying out its duties.

(E) The Chairperson shall be responsible for carrying out the specified duties of the Council.

(F) The Secretary of Commerce and the Secretary of Labor shall serve as Vice Chairpersons of the Council and, with the Chairperson, shall serve as Executive Committee of the Council.

8. Productivity Improvement Functions of the Departments of Commerce and Labor and the Federal Mediation and Conciliation Service

The legislation would provide that:

(1) The Departments of Commerce and Labor, and the Federal Mediation and Conciliation Service shall provide operational support for the Council and shall work closely with the Council. Productivity improvement efforts within these departments and service should be organized accordingly, and shall be separately staffed and funded in support of their individual efforts. Each shall establish an Office of Productivity to serve as a focal point in directing and coordinating their respective productivity activities.

(2) The Department of Commerce shall carry out, with assistance from the National Productivity Council, the following activities:

(A) Study productivity problems of particular industries.

(B) Conduct workshops and other activities for business and industry to increase awareness of the importance of productivity growth.

(C) Develop indepth studies relating to joint Government-private sector productivity improvement activities, such as joint efforts to increase technological innovation.

(D) Operate a productivity clearinghouse to provide information to all sectors of the economy on various aspects of productivity.

(E) Submit to the Council, based on its work, recommendations for revising the national productivity plan.

(3) The Department of Labor shall carry out, with guidance from the National Productivity Council, the following functions:

(A) Conduct annual needs assessments of productivity and quality of working life issues, including programs needed for training and retraining workers displaced by technological change, impact penetration, or significant demographic changes.

(B) Identify new and improved measures of productivity to improve productivity analysis.

(C) Conduct workshops and other activities for labor groups to increase awareness of the importance of productivity growth.

(D) Develop indepth studies relating to joint Government-labor productivity improvement activities.

(E) Provide data to the productivity clearinghouse in the Department of Commerce.

(F) Submit to the Council, based on its work, recommendations for revising the national productivity plan.

(4) The Federal Mediation and Conciliation Service shall carry out, with guidance from the Council, the following functions:

(A) Aid and encourage the establishment of cooperative labor/management committees at the community and business enterprise levels.

(B) Provide guidance for successful implementation of labor/management committees, supported by specific examples of successful programs implemented in other firms or communities, and be responsive to requests of representatives of labor, management, or community action groups seeking advise and counsel.

(C) Identify and recommend experts, such as national, regional, and local productivity centers, or consultants, who can assist in resolving specific community, labor, or management problems.

(D) Provide data to the productivity clearinghouse in the Department of Commerce.

(E) Provide data to the Department of Labor which may be incorporated in its annual needs assessments of productivity and quality of working life issues.

(F) Submit to the Council, based on its work, recommendations for revising the national productivity plan.

9. Authorization

The legislation would authorize, for the purpose of carrying out its provisions, an appropriation not to exceed \$3.0 million annually. Funds appropriated for any fiscal year would remain available for obligation until expended.

LIST OF ADDRESSEES

SENATORS

Herman Talmadge ✓  
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Robert Byrd ✓ C.  
Harrison Schmitt ✓ R.  
James Sasser ✓  
Lawton Chiles  
Sam Nunn  
Howard Cannon ✓ S.  
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